

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Dundee Housing Commission</b>	County <b>Monroe</b>
Audit Date <b>9/30/05</b>	Opinion Date <b>1/30/06</b>	Date Accountant Report Submitted to State: <b>2-3-06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

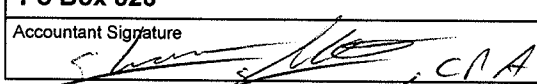
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Anderson, Tackman &amp; Company, PLC</b>			
Street Address <b>Po Box 828</b>		City <b>Iron Mountain</b>	State <b>MI</b>
		ZIP <b>49801</b>	
Accountant Signature 			Date <b>2-3-06</b>

**DUNDEE HOUSING COMMISSION**  
**REPORT ON FINANCIAL STATEMENTS**  
(with supplemental information)  
For the Year Ended September 30, 2005

# DUNDEE HOUSING COMMISSION

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report .....	3-4
Management Discussion and Analysis .....	5-8
Financial Statements:	
Statement of Net Assets .....	9
Statement of Activities .....	10
Statement of Revenues, Expenses, and Change in Net Assets .....	11
Statement of Cash Flows .....	12
Notes to Financial Statements .....	13-19
Supplemental Information:	
Financial Data Schedule .....	21-24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	25





**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
L. Robert Schaut, CPA  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Dundee Housing Commission  
Dundee, Michigan

We have audited the accompanying basic financial statements of the business-type activities of the Dundee Housing Commission, component unit of the Village of Dundee, as of and for the year ended September 30, 2005 as listed in the Table of Contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Dundee Housing Commission as of September 30, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2006 on our consideration of the Dundee Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Dundee Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, if fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

January 30, 2006

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Dundee Housing Commission's financial performance provides an overview of the financial activities for the year ended September 30, 2005. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

### FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$1,726,161 at September 30, 2005 compared to \$1,785,604 at September 30, 2004.
- The Commission's operating revenues totaled \$350,004 for September 30, 2005 and \$343,950 for September 30, 2004, while operating expenses totaled \$412,498 for September 30, 2005 and \$402,357 for September 30, 2004.

### USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses and Change in Net Assets (on pages 9 to 11) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

### REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses, and Change in Net Assets, the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

## REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

## THE COMMISSION AS A WHOLE

The Commission's combined net assets at September 30, 2005 decreased \$(59,443) from September 30, 2004.

Table 1

### NET ASSETS

	September 30,	
	2005	2004
<b>Assets</b>		
Current assets	\$ 188,174	\$ 195,848
Capital assets (net)	<u>1,584,176</u>	<u>1,642,368</u>
Total assets	<u>1,772,350</u>	<u>1,838,216</u>
<b>Liabilities</b>		
Current liabilities	42,325	52,822
Other liabilities	<u>3,864</u>	<u>-</u>
Total liabilities	<u>46,189</u>	<u>52,822</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	1,584,176	1,642,368
Unrestricted	<u>141,985</u>	<u>143,236</u>
Net Assets	<u>\$1,726,161</u>	<u>\$1,785,604</u>

Net assets of the Commission stood at \$1,726,161 at September 30, 2005 compared to \$1,785,604 at September 30, 2004. Unrestricted net business assets were \$141,985 compared to \$143,236 at September 30, 2004. In general, the Commission's unrestricted net assets are used to fund operations of the Commission.

**Table 2****CHANGE IN NET ASSETS**

	Year Ended September 30,	
	2005	2004
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 231,747	\$ 219,519
Program grants and subsidies	113,897	120,855
General revenues:		
Other revenues	4,360	3,576
Unrestricted investment earnings	<u>3,051</u>	<u>3,230</u>
Total revenues	<u>353,055</u>	<u>347,180</u>
<b>Program Expenses:</b>		
Operating expenses	<u>(412,498)</u>	<u>(402,252)</u>
Change in net assets	(59,443)	(55,072)
<b>Net assets - beginning of period</b>	<u>1,785,604</u>	<u>1,840,676</u>
<b>Net assets - end of period</b>	<u>\$ 1,726,161</u>	<u>\$ 1,785,604</u>

**BUSINESS – TYPE ACTIVITIES**

Revenues for the Commission totaled \$353,055 compared to \$347,180 during September 30, 2004. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had also decreased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses.



## **CAPTIAL ASSETS**

### **Capital Assets**

The Commission had \$3,852,871 invested in a variety of capital assets including land, equipment and buildings at September 30, 2005 compared to \$3,787,572 at September 30, 2004.

**Table 3**

### **CAPITAL ASSETS AT SEPTEMBER 30, 2005**

#### **Business - Type Activity**

	September 30,	
	2005	2004
Land and improvements	\$ 1,167,158	\$ 1,160,930
Building and improvements	2,562,627	2,505,472
Equipment	<u>123,086</u>	<u>121,170</u>
Total	3,852,871	3,787,572
Less accumulated depreciation	<u>(2,268,695)</u>	<u>(2,145,204)</u>
<b>NET CAPITAL ASSETS</b>	<u><b>\$ 1,584,176</b></u>	<u><b>\$ 1,642,368</b></u>

The Commission invested \$65,300 in capital assets during the year ended September 30, 2005.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2005/2006. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2005/2006 budget process.

### **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Sandra Benore, at 501 Rawson Street, Dundee, Michigan 48131, or call 734-529-2828.

**DUNDEE HOUSING COMMISSION**

**STATEMENT OF NET ASSETS  
Proprietary Fund**

September 30, 2005

CURRENT ASSETS:	
Cash and equivalents	\$ 6,981
Accounts receivable	10,189
Investments	158,263
Prepaid expenses	<u>12,741</u>
TOTAL CURRENT ASSETS	<u>188,174</u>
NONCURRENT ASSETS:	
Capital assets	3,852,871
Less accumulated depreciation	<u>(2,268,695)</u>
NET CAPITAL ASSETS	<u>1,584,176</u>
TOTAL ASSETS	<u>\$ 1,772,350</u>
CURRENT LIABILITIES:	
Accounts payable	\$ 13,817
Accrued liabilities	<u>28,508</u>
TOTAL CURRENT LIABILITIES	42,325
NONCURRENT LIABILITIES	<u>3,864</u>
TOTAL LIABILITIES	<u>46,189</u>
NET ASSETS:	
Investment in capital assets, net of related debt	1,584,176
Unrestricted net assets	<u>141,985</u>
NET ASSETS	<u>\$ 1,726,161</u>

The accompanying notes to financial statements are an integral part of this statement.



**DUNDEE HOUSING COMMISSION**

**STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2005

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Public Housing	\$ 412,498	\$ 231,747	\$ 113,897	\$ -
				\$ (66,854)
General revenues:				
Unrestricted investment earnings				3,051
Other				4,360
Total general revenues				7,411
Change in net assets				(59,443)
NET ASSETS, beginning of year				1,785,604
NET ASSETS, end of year				\$ 1,726,161

The accompanying notes to the financial statements are an integral part of this statement.

**DUNDEE HOUSING COMMISSION**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE  
IN NET ASSETS  
Proprietary Fund**

For the Year Ended September 30, 2005

OPERATING REVENUES:

Tenant revenue	\$ 231,747
Program grants-subsidies	113,897
Other income	<u>4,360</u>

TOTAL OPERATING REVENUES	<u>350,004</u>
--------------------------	----------------

OPERATING EXPENSES:

Administration	101,905
Tenant services	2,266
Utilities	69,490
Maintenance	93,078
Protective services	1,115
General	18,435
Other expenses	2,717
Depreciation	<u>123,492</u>

TOTAL OPERATING EXPENSES	<u>412,498</u>
--------------------------	----------------

OPERATING (LOSS)	(62,494)
------------------	----------

OTHER INCOME (EXPENSES):

Interest income	<u>3,051</u>
-----------------	--------------

CHANGE IN NET ASSETS	(59,443)
----------------------	----------

NET ASSETS, BEGINNING OF YEAR	<u>1,785,604</u>
-------------------------------	------------------

NET ASSETS, END OF YEAR	<u>\$ 1,726,161</u>
-------------------------	---------------------

The accompanying notes to financial statements are an integral part of this statement.

**DUNDEE HOUSING COMMISSION**

**STATEMENT OF CASH FLOWS**  
**Proprietary Fund**

For the Year Ended September 30, 2005

**OPERATING ACTIVITIES:**

Cash received from customers	\$ 231,746
Cash received from grants and subsidies	106,756
Cash payments to suppliers for goods and services	(159,733)
Cash payments for wages and related benefits	(136,069)
Cash payments for payment in lieu of taxes	(1)
Other receipts	6,113

NET CASH PROVIDED FROM OPERATING ACTIVITIES 48,812

**CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition of capital assets	<u>(65,300)</u>
-------------------------------	-----------------

NET CASH (USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES (65,300)

**INVESTING ACTIVITIES:**

Purchase of investments	(3,198)
Investment income	<u>3,040</u>

NET CASH (USED) BY INVESTING ACTIVITIES (158)

NET (DECREASE) IN CASH AND EQUIVALENTS (16,646)

CASH AND EQUIVALENTS, BEGINNING OF YEAR 23,627

CASH AND EQUIVALENTS, END OF YEAR \$ 6,981

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (62,494)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	123,492
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(5,389)
Decrease (Increase) in prepaid expenses	(374)
Increase (Decrease) in accounts payable	(9,623)
Increase (Decrease) in accrued liabilities	<u>3,200</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES \$ 48,812

The accompanying notes to financial statements are an integral part of this statement.



## DUNDEE HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

September 30, 2005

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### THE REPORTING ENTITY

The Dundee Housing Commission (Commission) was formed by the Dundee Village Council under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the Village of Dundee.

The Commission manages 75 units of low rent public housing units of which, for financial reporting purposes, includes all of the activities relevant to its operations.

##### Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Dundee Housing Commission, but the Commission is a component unit of the Village of Dundee, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

##### BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

##### Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities, and Statement of Revenues, Expenses and Change in Net Assets display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**DUNDEE HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2005

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

**Proprietary Fund**

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus:**

The government-wide Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

**Basis of Accounting:**

The Statement of Net Assets, Statement of Activities, and Statement of Revenues, Expenses and Change in Net Assets are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



## DUNDEE HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

September 30, 2005

(Continued)

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$200 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.





## **DUNDEE HOUSING COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

September 30, 2005

(Continued)

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **ASSETS, LIABILITIES AND NET ASSETS (Continued)**

2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

##### **REVENUES AND EXPENSES**

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

##### **OTHER SIGNIFICANT ACCOUNTING POLICIES**

###### **Interprogram Activity:**

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

###### **Budgets and Budgetary Accounting:**

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on October 1<sup>st</sup>. The operating budget includes proposed expenses and the means of financing them. Prior to September 30th, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to September 30th.



# DUNDEE HOUSING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

(Continued)

### NOTE B - CASH AND INVESTMENTS

#### Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 100
Checking accounts	1,869
Money markets	<u>5,012</u>
 TOTAL	 <u>\$ 6,981</u>

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require, and the Commission does not have a policy for, deposit custodial credit risk. As of June 30, 2005, the Commission's cash and equivalents were not exposed to credit risk, due to them being fully insured.

#### Investments

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>	
		<u>Less Than 1 Year</u>	<u>1-5</u>
Certificates of Deposit	<u>\$158,263</u>	<u>\$75,463</u>	<u>\$82,800</u>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

# DUNDEE HOUSING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

(Continued)

### NOTE B - CASH AND INVESTMENTS (Continued)

*Credit Risk.* Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

*Concentration of Credit Risk.* The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. The Commission's certificates of deposit are with the following three financial institutions:

Monroe Bank & Trust, Dundee, MI	\$ 82,800
Standard Federal Bank, Dundee, MI	\$ 52,613
United Bank, Dundee, MI	\$ 22,850

### NOTE C - CAPITAL ASSETS

A summary of capital assets as of September 30, 2005 is as follows:

	Balance 10-1-04	Additions	Deletions	Balance 9-30-05
Land and improvements	\$1,160,930	\$ 6,228	\$ -	\$1,167,158
Building and improvements	2,505,472	57,155	-	2,562,627
Equipment	121,169	1,917	-	123,086
	3,787,571	\$ 65,300	\$ -	3,852,871
Accumulated depreciation	(2,145,203)	\$ (123,492)	\$ -	(2,268,695)
Net capital assets	<u>\$1,642,368</u>			<u>\$1,584,176</u>

Depreciation expense for the year was \$123,492.

### NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

## **DUNDEE HOUSING COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

September 30, 2005

(Continued)

#### **NOTE E - USE OF ESTIMATES**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total operating revenues for the year ended September 30, 2005 totaled \$350,004 of which \$113,897 or 32.5% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

#### **NOTE G- PENSION PLAN**

The Commission has established a 403(b) plan of which the Commission contributes 6% of qualified wages. To be eligible, an employee must have twelve continuous months of service. The Commission contributions to the Plan during the year amounted to \$2,290.





**SUPPLEMENTAL  
INFORMATION**

**DUNDEE HOUSING COMMISSION****FINANCIAL DATA SCHEDULE  
Proprietary Fund**

September 30, 2005

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash:				
111	Cash - unrestricted	\$ 6,981	\$ -	\$ 6,981
100	Total cash	6,981	-	6,981
122	Accounts Receivable - HUD	-	10,000	10,000
126	Accounts Receivable - dwelling rents	156	-	156
126.1	Allowance for doubtful accounts - dwelling rents	(155)	-	(155)
129	Accrued interest	188	-	188
120	Total receivables, net of allowances for doubtful accounts	189	10,000	10,189
Other current assets:				
131	Investments - Unrestricted	158,263	-	158,263
142	Prepaid expenses and Other Assets	12,741	-	12,741
144	Interprogram due from	10,000	-	10,000
150	TOTAL CURRENT ASSETS	188,174	10,000	198,174
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	59,727	-	59,727
162	Buildings	2,515,258	47,369	2,562,627
163	Furniture, equipment & machinery - dwellings	49,521	-	49,521
164	Furniture, equipment & machinery - administration	73,565	-	73,565
165	Leasehold improvements	1,107,431	-	1,107,431
166	Accumulated depreciation	(2,267,109)	(1,586)	(2,268,695)
160	Total fixed assets, net of accumulated depreciation	1,538,393	45,783	1,584,176
180	TOTAL NONCURRENT ASSETS	1,538,393	45,783	1,584,176
190	TOTAL ASSETS	\$ 1,726,567	\$ 55,783	\$ 1,782,350

See accompanying notes to financial statements



# DUNDEE HOUSING COMMISSION

## FINANCIAL DATA SCHEDULE

### Proprietary Fund

September 30, 2005

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES:				
CURRENT LIABILITIES				
312	Accounts payable ≤ 90 days	\$ 13,817	\$ -	\$ 13,817
321	Accrued wages / payroll taxes payable	2,573	-	2,573
322	Accrued compensated absences - current portion	1,583	-	1,583
333	Accounts payable - other government	1	-	1
341	Tenant security deposits	22,178	-	22,178
342	Deferred revenues	1	-	1
346	Accrued liabilities - other	2,172	-	2,172
347	Interprogram due to	-	10,000	10,000
310	TOTAL CURRENT LIABILITIES	42,325	10,000	52,325
354	Accrued compensated absences - non current	3,864	-	3,864
350	TOTAL NONCURRENT LIABILITIES	3,864	-	3,864
300	TOTAL LIABILITIES	46,189	10,000	56,189
<u>NET ASSETS</u>				
508.1	Investment in capital assets, net of related debt	1,538,393	45,783	1,584,176
512.1	Unrestricted net assets	141,985	-	141,985
513	TOTAL NET ASSETS	1,680,378	45,783	1,726,161
600	TOTAL LIABILITIES AND NET ASSETS	\$ 1,726,567	\$ 55,783	\$ 1,782,350

See accompanying notes to financial statements



# DUNDEE HOUSING COMMISSION

## FINANCIAL DATA SCHEDULE

### Proprietary Fund

For the Year Ended September 30, 2005

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
<u>REVENUES</u>				
703	Net tenant rental revenue	\$ 230,372	\$ -	\$ 230,372
704	Tenant revenue - other	1,375	-	1,375
705	Total tenant revenue	231,747	-	231,747
706	HUD PHA grants	53,945	12,583	66,528
706.1	Capital grants	-	47,369	47,369
711	Investment income - unrestricted	3,051	-	3,051
715	Other revenue	4,360	-	4,360
700	TOTAL REVENUE	293,103	59,952	353,055
<u>EXPENSES</u>				
Administrative:				
911	Administrative salaries	60,544	-	60,544
912	Auditing fees	3,000	-	3,000
914	Compensated absences	5,045	-	5,045
915	Employee benefit contributions- administrative	10,049	-	10,049
916	Other operating- administrative	23,267	-	23,267
	Total Administrative	101,905	-	101,905
Tenant services:				
924	Tenant services - other	2,266	-	2,266
Utilities:				
931	Water	16,150	-	16,150
932	Electricity	22,569	-	22,569
933	Gas	30,771	-	30,771
	Total Utilities	69,490	-	69,490
Maintenance:				
941	Ordinary maintenance and operations - labor	52,102	-	52,102
942	Ordinary maintenance and operations - materials & other	9,937	-	9,937
943	Ordinary maintenance and operations - contract costs	21,186	-	21,186
945	Employee benefit contributions- ordinary maintenance	9,853	-	9,853
	Total Maintenance	93,078	-	93,078

See accompanying notes to financial statements



# DUNDEE HOUSING COMMISSION

## **FINANCIAL DATA SCHEDULE**

### **Proprietary Fund**

For the Year Ended September 30, 2005

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
	Protective services:			
952	Protective services - other contract costs	1,115	-	1,115
	General expenses:			
961	Insurance premiums	16,524	-	16,524
962	Other general expenses	2	-	2
963	Payments in lieu of taxes	1	-	1
964	Bad Debt - tenant rents	155	-	155
966	Bad Debt - other	1,753	-	1,753
	Total General Expenses	18,435	-	18,435
969	TOTAL OPERATING EXPENSES	286,289	-	286,289
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	6,814	59,952	66,766
971	Extraordinary maintenance	2,800	-	2,800
972	Casualty Losses - Non-Capitalized	(83)	-	(83)
974	Depreciation expense	121,906	1,586	123,492
900	TOTAL EXPENSES	410,912	1,586	412,498
	Other financing sources (uses)			
1001	Operating Transfers In	12,583	-	12,583
1002	Operating Transfers Out	-	(12,583)	(12,583)
1010	Total other financing sources (uses)	12,583	(12,583)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (105,226)	\$ 45,783	\$ (59,443)
MEMO account information				
1103	Beginning equity	\$ 1,694,547	\$ 90,952	\$ 1,785,499
1104	Prior Period Adjustments, Equity Transfers	\$ 91,057	\$ (90,952)	\$ 105
1120	Unit months available	900	-	900
1121	Number of unit months leased	891	-	891

See accompanying notes to financial statements



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Dundee Housing Commission  
Dundee, Michigan

We have audited the financial statements of the business-type activities of the Dundee Housing Commission as of and for the year ended September 30, 2005, which collectively comprise the Dundee Housing Commission's basic financial statements, and have issued our report thereon dated January 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dundee Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dundee Housing Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

*Anderson, Tackman & Co. PLLC*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

January 30, 2006





**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
L. Robert Schaut, CPA  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

February 3, 2006

Dundee Housing Commission  
Sandy Benore, Executive Director  
501 Rawson Street  
Dundee, MI 48131

Dear Mrs. Benore;

During the review of policies and procedures it was noted that the Commission's procurement policy for small purchases was at \$1,000. The Commission should consider increasing its procurement policy with regards to small purchases to a larger amount. The amount should be at a level that makes some kind of sense from a management point-of-view so that the executive director can make management decisions within certain timeframes without having to wait for a formal board meeting. Most housings have a \$5,000 threshold for small purchases in their procurement policies.

It has been our pleasure working with you during the performance of this audit. If you have any questions, please feel free to contact our office.

Sincerely,

ANDERSON, TACKMAN & COMPANY, P.L.C.

Shane M. Ellison, CPA  
Principal